

Appendix R: Annual Report

Annual Report

**INDIANA TELEPHONE RELAY
ACCESS CORPORATION FOR THE
HEARING AND SPEECH IMPAIRED**

For the fiscal year ended September 30, 2006

InTRAC's 2006 Annual Report

The Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired ("InTRAC") continued to provide quality and efficient service in its fourteenth year of telephone relay services ("TRS") for hearing- and speech-impaired callers.

Description of Services. Beginning October 1, 1992, InTRAC began providing TRS to Indiana citizens through Sprint, its relay provider. TRS allows an individual who has a hearing or speech impairment to communicate over the telephone with a hearing individual who uses a standard telephone. Sprint provides this service through the operation of a Network Call Distribution system with 15 TRS centers nationwide. Sprint currently provides relay service to 32 states, the Commonwealth of Puerto Rico, New Zealand, and the Federal government. Individuals in Indiana with hearing or speech impairments can call these centers using a toll-free number (800-743-3333) or by dialing the three-digit number, 711. Persons with standard phones can also initiate calls to the center.

At the centers, specially trained relay operators receive the incoming calls from either a standard phone user or a deaf, hard of hearing, or speech impaired relay user. The operator then dials the desired number and connects the two telephone users. The operator reads aloud the text telephone message to the standard telephone caller and transmits that caller's oral responses back to the non-standard telephone user through the text telephone, computer, or video phone.

A variety of relay calls are provided to meet the variety of special needs in the deaf, hard of hearing, or speech impaired community. Those relay services include:

- **TTY** – If a person is deaf and does not voice, they use a text telephone.
- **VCO** – If a person is hard-of-hearing but is able to voice, they may use Voice Carry Over service.
- **CAPTEL (CAPTIONED TELEPHONE)** – If a person is hard-of-hearing but is able to voice, they may use this Enhanced VCO.
- **HCO** – If a person can hear, but is not able to voice, they may use Hearing Carry Over.
- **SPEECH TO SPEECH** – If a person can hear but has difficulties with unclear speech.
- **SPANISH TO SPANISH** – If a person is deaf and needs their conversation understood in Spanish.
- **VIDEO RELAY SERVICE (VRS)** – If a person is deaf and using ASL, the interpreter/operator will appear on the screen of the computer or television and will place the call in the same way as a standard relay call.
- **INTERNET RELAY (SRO)** – If a person is deaf they use a computer to see what is typed by the operator (while the standard phone user speaks) and can see what the relay operator is typing, at the same time.

- **VOICE USER** – If a person uses a standard phone and wishes to speak with others who use special equipment to communicate.

Internet Relay (IP) and Video Relay Service (VRS) are extremely popular within the relay user community. In Indiana, IP Relay is accessed by going online and connecting to www.sprintip.com. In the same way as with the TTY, the user types the conversation on his or her computer which the relay operator voices to the standard phone user. Whatever the standard phone users says is then typed by the operator for the originating caller to read on his or her computer screen.

The VRS provides the deaf community an opportunity to use their primary form of communication – sign language. The users must have high speed internet connection ability and either a webcam or a videophone. The users go online to www.invrs.com and see a live interpreter at the relay center on their screen. The relay users then sign their conversations to the interpreter who voices the call for them. The standard phone users' responses are then signed back to the deaf user. This is real-time communication and a much more natural form of conversation. Currently, IP Relay and VRS are funded by the National Exchange Carriers Association (NECA) and not paid for by InTRAC.

The operators who staff the TRS centers are well trained. To be employed, each must pass an examination that covers spelling, typing, dictation, TRS procedures, certain aspects of American Sign Language, deaf culture, ethics, etiquette, and a confidentiality statement.

InTRAC's TRS centers process several types of calls, including: local calls, intrastate long distance calls, interstate long distance, and international calls that originate in Indiana. Users of the centers can choose the carrier they wish to carry their long distance calls to the same extent those not using the centers to place calls may choose their long distance carriers.

No special charge for TRS is imposed on those who use the TRS centers. Neither the party originating nor the party receiving a call processed by the centers pays a surcharge for calls originating and terminating within the same toll-free, local calling area -- even though the call must pass through the TRS centers located throughout the country. Similarly, those who use the centers to make long distance calls are charged rates no greater than the rates paid for functionally equivalent voice communication services.

Because InTRAC's relay services are processed through a Network Call Distribution system, and have the ability to automatically process calls through several TRS centers, it is unlikely that service will ever be disrupted by a cable cut, adverse weather or other event. Each TRS center provides TRS to Indiana callers seven days a week, 52 weeks a year, and each is equipped with state-of-the-art telecommunications equipment and software. Each center can receive messages from text telephones that use Baudat and ASCII codes and can automatically identify the type of incoming signals.

Developments During the Year. During InTRAC's 2006 fiscal year, the following activities occurred:

- **Captioned Telephone.** In November 2005, InTRAC amended its relay contract with Sprint to provide 2-Line CapTel service. Persons wanting to contact a CapTel user are no longer required to dial a special relay number if the CapTel user has two telephone lines in their home. A person can dial the CapTel user's telephone number directly and when the receiver is raised to answer, the unit automatically connects with the captioning service. CapTel users find this extremely helpful for business calls.

Those without two lines can still use CapTel as before. The user directly dials the number he or she wishes to call. The CapTel phone automatically connects to the captioning service. Behind the scenes, a specially trained operator transcribes everything the other party says into written text (captions) using the very latest in voice-recognition technology. The captions appear on the display window built into the CapTel phone. Relay users have a much more natural flow to the conversation and no longer need to take turns or slow down the speed of speaking due to the operators' typing speed. This type of Enhanced VCO is much faster than traditional VCO, because the operator no longer types the conversation. Persons wanting to dial a CapTel user need to dial a toll free number and put in the CapTel user's number. By dialing the toll free number, they are connecting to the captioning service which in turn connects with the CapTel user.

- **InTRAC Statute** - The General Assembly, in its 2006 session, enacted Senate Bill 245, which dramatically changed the structure for regulating communications services in Indiana to reflect competition from new communications media. That bill also made changes in InTRAC's governing statute by, among other things, broadening the scope of entities that are members of InTRAC and those that must remit funding to InTRAC for TRS. Now, any communications service provider, as defined by Ind. Code 8-1-2.6-13(b), that has a certificate of territorial authority on file with the Indiana Utility Regulatory Commission, and is required to provide dual party relay services under federal law is a member of InTRAC.
- **Equipment Loaner Program.** InTRAC initiated an equipment loaner program on March 6, 1997 for hearing- and speech-impaired persons unable to afford a TTY. Through the end of this fiscal year, September 30, 2006, we have lent a total of 3065 pieces of equipment. InTRAC repairs and replaces the units as necessary. As technology improves, InTRAC is committed to providing the most updated equipment to individuals who have a financial need in order that they too are able to utilize the relay service.

Currently, InTRAC lends a Superprint 4425 TTY; a multipurpose Uniphone 1140 for VCO/HCO/TTY users; a Dialogue VCO for either amplification or VCO users; D-Link DVC 1000 video phone for VRS calls; and CapTel units for Enhanced VCO captioning relay calls. Citizens of Indiana earning below the median income can apply to receive equipment on loan from InTRAC.

Service Volume. In the twelve months ending September 30, 2006, InTRAC received 691,797 calls to the relay center and placed 901,452 calls. The number of inbound and outbound calls through the Relay Center has decreased from previous years. This decrease is due to new technology, as users continue to communicate heavily through IP Relay, VRS, e-mail, and pagers. However, traditional TRS use continues to surpass all other forms of relay service. The number of CapTel minutes continues to increase significantly.

The Chart below shows the number of calls processed by InTRAC's TRS center and the average length of those calls in minutes during the fiscal year ending September 30, 2006.

Month of Operation	Outbound Calls	Inbound Calls	Average Call Length
October 2005	49,450	59,930	4.22
November 2005	78,170	59,032	4.24
December 2005	77,797	58,540	4.39
January 2006	76,626	57,588	4.31
February 2006	69,616	53,139	4.14
March 2006	73,095	56,896	4.14
April 2006	71,485	55,652	4.07
May 2006	73,804	56,702	4.08
June 2006	87,239	65,577	4.36
July 2006	100,065	76,733	4.00
August 2006	69,857	54,129	4.06
September 2006	61,407	48,889	3.90
TOTALS	901,452	691,797	

Complaint Report. On July 1, 2006, InTRAC filed its Annual Report of Complaints with the FCC. Users of InTRAC's relay centers have been extremely pleased with the overall quality of the service. The 901,452 calls processed by the center during June 2005 – May 2006 resulted in 61 complaints – less than one hundredth of one percent (0.01%).

Service Levels. The FCC has established quite stringent operational, technical and functional standards for telecommunications relay services. For example, 85% of the calls received in the relay center must be answered in ten seconds or less. During 2006, InTRAC's numbers exceeded the FCC performance standard, with 92% of the calls answered in ten seconds or less. The average answer time for all calls was 2.17 seconds. A second important FCC requirement for relay service providers is that the grade of service must be a minimum of PO1. This means that if one hundred people simultaneously call the relay center during the busiest period of the day, only one call would be blocked due to the lack of available telephone equipment. InTRAC's results have continuously exceeded this requirement.

Promotional Activities. An important part of InTRAC's mission is to ensure that Indiana citizens are aware of the relay services that InTRAC provides. Toward that end, InTRAC has engaged in a number of promotional activities. InTRAC contacted over 16,000 people at conferences, trade shows, town hall meetings, and other informational meetings. Additionally, Indiana residents were informed about Relay Indiana services by radio and television advertisements.

- **Radio Advertisements.** InTRAC continued to advertise on Network Indiana which covers 65 radio stations within Indiana. These advertisements are directed toward businesses within Indiana and encourage them to "not hang up" on relay calls. Relay customers found that many businesses misunderstood the calls and would hang up. Relay users can utilize www.relayindiana.com to obtain a list of businesses who have signed up to receive relay calls. Additionally, CapTel ads have been updated and approach hearing loss by using television characters from the 1960's. These ads explain how the captioned telephone can help users regain their independence again.
- **Television Advertisements.** InTRAC continued to advertise on SkyTrak13 Weather Channel in 2006. This ad has captioning for the *hearing*. The commercial encourages viewers to "not hang up" on relay calls. In addition, a scrolling banner runs daily informing viewers to learn more about CapTel and the telephone relay service on InTRAC's website.
- **Town Hall Meetings.** At these meetings, InTRAC's relay services are explained to the hearing- and speech-impaired persons, employees of service agencies and businesses that may need to communicate with those who are hearing- or speech-impaired. During the past fiscal year, InTRAC held town hall meetings in the following Indiana communities: Bloomington, Columbus, Fort Wayne, Goshen, Indianapolis, Kokomo, Lafayette, Merrillville, Mishawaka, Muncie, New Albany.
- **Other Informational Meetings.** In addition to town hall meetings, InTRAC has also held a number of meetings at educational institutions, service agencies, and businesses in Indiana. During the last fiscal year, informational meetings were held at five Universities and Colleges; eight Deaf and Hearing Schools; fifteen State and Non-Profit Agencies; and eighteen Deaf Clubs..
- **Conferences and Trade Shows.** To make others aware of InTRAC's relay services, InTRAC also participated in a number of conferences and trade shows held throughout Indiana. Over 8,000 persons received Relay Indiana information at various conferences and trade shows during the last fiscal year at the ISD Homecoming, five Deaf Sporting Events; Indiana Association for the Deaf/Indiana Certified Registry Interpreters for the Deaf; Deaf Nation Expo; Jr. National Association of the Deaf Conference; ASL Retreat; Parent Teacher Conference Organization Day; ISDAA Reunion; Indiana Deaf Education Conference.
- **Community Liaison.** InTRAC contracted with a member of the Deaf community to travel throughout the state to communicate the role of InTRAC, the telecommunications providers, Federal Communications Commission rules and

orders, and the relay service. He then provides feedback to InTRAC about concerns of the Deaf and hard of hearing community regarding Relay Indiana or the Equipment Distribution Program.

- **CapTel Outreach.** InTRAC contracts with an individual to provide community outreach for the CapTel units and the captioning service through relay. As the outreach has increased, so have the number of CapTel units being provided to citizens. This person is providing presentations to a variety of clubs, churches, nursing homes, disability expos, and hospitals. During the year, nearly 1,000 people were reached. As more organizations learn about our CapTel presentations, we are now being contacted and invited to attend many more events.

Annual Meeting. On December 6, 2006, InTRAC held its annual meeting for the fiscal year ended September 30, 2006. To maintain continuity in its membership, InTRAC's directors are elected to staggered three-year terms. Consequently, only two of the seven director's seats are up for election at each annual meeting. Re-elected to a three-year term was Duane Hazelbaker, AT&T. Elected to replace Mitchell Proctor was Martha Niehaus, Perry Spencer R.T.C.

Board of Directors. Members of the Board are as follows: Duane Hazelbaker, AT&T, President; Martha Niehaus, Perry Spencer R.T.C., Secretary; Neil Krevda, Verizon, Treasurer; Charles F. Coon, Washington County RTC; Alan I Matsumoto, Embarq Corporation; and Jim Van Manen, Director, Deaf and Hard of Hearing Services, State of Indiana.

Test of Surcharge Collected and Remitted by Members. InTRAC's accounting firm, Kehlenbrink, Lawrence & Pauckner, has been engaged to perform tests of the books and records of the local exchange carriers and cellular providers that are members of InTRAC, to determine whether the members are collecting and remitting properly the surcharge that funds InTRAC's operations. Since the surcharge was enacted, tests have been performed of the books and records of several local exchange carriers and cellular providers. Additional tests were conducted during the last fiscal year. These reviews have revealed that the members are collecting and remitting the surcharge correctly.

Audit of Sprint Billings. Telecommunication relay services are provided in Indiana on behalf of InTRAC under a contract with Sprint Services. InTRAC pays Sprint based upon the number of minutes of relay service that Sprint provides. Under the contract with Sprint, InTRAC has the right to audit and test Sprint's books and records to ensure that InTRAC is billed properly for the services that Sprint provides. As a result, InTRAC employed the accounting firm of Kehlenbrink, Lawrence & Pauckner to perform various tests of Sprint's billing system. These tests revealed no failures in the systems for generating the billing to InTRAC.

Financial Statements. Financial statements prepared by the independent accounting firm of Dunbar, Cook & Shephard meeting the requirements of Ind. Code § 8-1-2.8-21(6)(D) are attached hereto and incorporated herein.

December 11, 2006

To the Board of Directors
Indiana Telephone Relay Access Corporation for the
Hearing and Speech Impaired (InTRAC)

We have audited the financial statements of Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (InTRAC) for the year ended September 30, 2006, and have issued our report thereon dated December 11, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 30, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of InTRAC. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by InTRAC are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by InTRAC during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of the collectibility of accounts receivable is based on historical collection rates and an analysis of the collectibility of balances due. We evaluated the key factors and assumptions used in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on InTRAC's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by InTRAC, either individually or in the aggregate, indicate matters that could have a significant effect on InTRAC's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to InTRAC's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as InTRAC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Board of Directors and management of InTRAC and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Dunbar, Cook & Shepard, P.C.

***In*TRAC**

*Indiana Telephone Relay Access Corporation
for the Hearing and Speech Impaired*

AUDITED FINANCIAL STATEMENTS

September 30, 2006 and 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Indiana Telephone Relay Access Corporation
for the Hearing and Speech Impaired
Indianapolis, Indiana

We have audited the accompanying statements of financial position of **Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (InTRAC)**, a nonprofit organization, as of September 30, 2006 and 2005, and the related statements of activities and changes in unrestricted net assets and cash flows for the years then ended. These financial statements are the responsibility of InTRAC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired as of September 30, 2006 and 2005, and the changes in its unrestricted net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

December 11, 2006

Dunbar, Cook & Shepard, P.C.

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**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
STATEMENTS OF FINANCIAL POSITION
September 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,473	\$ 39,818
Investments - money funds	819,214	785,330
Estimated accounts receivable	260,292	261,050
Interest receivable	39,132	54,742
Other current assets	<u>6,556</u>	<u>6,618</u>
TOTAL CURRENT ASSETS	1,135,667	1,147,558
PROPERTY AND EQUIPMENT		
Furniture and equipment	49,859	44,460
Less accumulated depreciation	<u>(43,697)</u>	<u>(42,289)</u>
TOTAL PROPERTY AND EQUIPMENT	6,162	2,171
OTHER ASSETS		
Deposits	1,000	1,000
Investments - other	<u>6,593,355</u>	<u>6,741,191</u>
TOTAL OTHER ASSETS	<u>6,594,355</u>	<u>6,742,191</u>
TOTAL ASSETS	<u>\$ 7,736,184</u>	<u>\$ 7,891,920</u>
<u>LIABILITIES AND UNRESTRICTED NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 390,435	\$ 482,717
Accrued payroll taxes	<u>2,202</u>	<u>2,264</u>
TOTAL CURRENT LIABILITIES	392,637	484,981
UNRESTRICTED NET ASSETS	<u>7,343,547</u>	<u>7,406,939</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u>\$ 7,736,184</u>	<u>\$ 7,891,920</u>

See accompanying notes and auditors' report.

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INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS
For the Years Ended September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUES		
Local exchange carriers	\$ 1,113,594	\$ 1,722,512
Wireless carriers	<u>1,230,638</u>	<u>1,374,717</u>
TOTAL REVENUES	2,344,232	3,097,229
DIRECT EXPENSES		
Contract relay service	<u>2,280,917</u>	<u>2,862,434</u>
GROSS MARGIN	63,315	234,795
PROGRAM EXPENSES		
TTY equipment	121,879	137,711
TTY promotion	<u>9,619</u>	<u>750</u>
TOTAL PROGRAM EXPENSES	131,498	138,461
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting	26,724	26,683
Advertising	103,251	97,630
Depreciation	1,408	994
Dues and subscriptions	1,625	875
Fringe benefits and other related employee expenses	27,161	27,040
Insurance expense	15,867	14,932
Interest expense	15	-
Interpreter fees	-	478
Investment advisory fees	39,611	39,519
Legal	9,094	19,474
Lobbyist expense	4,551	-
Meals	925	827
Meeting expense	1,472	2,244
Miscellaneous	1,783	1,289
Office rent	31,343	30,905
Office supplies	11,060	8,553
Public relations	15,948	6,007
Salaries	77,047	66,805
Telephone	8,722	8,371
Travel and entertainment	<u>2,139</u>	<u>4,060</u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>379,746</u>	<u>356,686</u>
LOSS FROM OPERATIONS	(447,929)	(260,352)
OTHER INCOME		
Investment income	374,958	217,960
Rental income	<u>9,579</u>	<u>12,113</u>
TOTAL OTHER INCOME	<u>384,537</u>	<u>230,073</u>
CHANGES IN UNRESTRICTED NET ASSETS	(63,392)	(30,279)
UNRESTRICTED NET ASSETS - BEGINNING	<u>7,406,939</u>	<u>7,437,218</u>
UNRESTRICTED NET ASSETS - ENDING	<u>\$ 7,343,547</u>	<u>\$ 7,406,939</u>

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)**

**STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in unrestricted net assets	\$ (63,392)	\$ (30,279)
Adjustments to reconcile changes in unrestricted net assets to net cash from (used in) operating activities:		
Depreciation	1,408	994
(Gain) loss on investments	(66,392)	26,830
Amortization of bond premiums	35,927	58,658
Decrease in estimated accounts receivable	758	210,817
Increase in other current assets	15,672	15,916
(Decrease) in accounts payable	(92,282)	(267,261)
Increase (decrease) in accrued expenses	<u>(62)</u>	<u>1,304</u>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	(168,363)	16,979
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in money market funds	(33,884)	1,207,587
Purchase of investments	(3,448,247)	(3,799,710)
Proceeds on sale of investments	3,626,548	2,612,834
Purchase of furniture and equipment	<u>(5,399)</u>	<u>-</u>
NET CASH FROM INVESTING ACTIVITIES	<u>139,018</u>	<u>20,711</u>
NET INCREASE (DECREASE) IN CASH	(29,345)	37,690
CASH AND CASH EQUIVALENTS - BEGINNING	<u>39,818</u>	<u>2,128</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 10,473</u>	<u>\$ 39,818</u>
SUPPLEMENTAL INFORMATION TO CASH FLOW STATEMENT		
Interest expense	<u>\$ 15</u>	<u>\$ -</u>

See accompanying notes and auditors' report.

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**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS
September 30, 2006 and 2005**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE - Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (InTRAC) is an Indiana non-profit corporation established by state statute on February 25, 1991. Its purpose is to provide telephone relay service to hearing and speech-impaired persons throughout the state of Indiana. InTRAC's responsibility is to coordinate the efforts of the 42 Indiana telephone company members to comply with the laws of the Federal Communication Commission (FCC) concerning telephone relay service. In 1997, InTRAC initiated a program that provides text telephone (TTY) devices to persons with financial needs.

METHOD OF ACCOUNTING - InTRAC records revenue and expense using the accrual method of accounting.

CASH AND CASH EQUIVALENTS - For the purposes of the statements of cash flows, InTRAC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CONCENTRATION OF CREDIT RISK - InTRAC maintains its bank accounts with funds, at times, in excess of limits set and insured by the FDIC. The Organization has not experienced any losses on such accounts. Management believes the Organization is not exposed to any significant credit risk related to those accounts.

INVESTMENTS - Investments are composed of money market funds, annuities and mutual funds investing in debt, equity, and fixed income securities, and individual debt securities. These investments are carried at market value. Bond premiums are being amortized over the life of the bond and charged against interest income.

ESTIMATED ACCOUNTS RECEIVABLE - All accounts receivable are from Local Exchange Carriers (LEC's) or wireless companies and are comprised of charges that are expected to have been collected but not remitted to InTRAC. These receivables are unsecured and totaled \$260,292 and \$261,050 at September 30, 2006 and 2005, respectively. Because these receivables are estimated, it is possible, though not expected, that the estimated amount could change in the near term. Since the surcharge revenues are mandated by the Indiana Utility Regulatory Commission, no allowance for doubtful accounts has been established.

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS CONTINUED
September 30, 2006 and 2005**

NOTE A - CONTINUED

PROPERTY AND EQUIPMENT - Property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred. It is the policy of InTRAC to capitalize cost of equipment which exceeds \$500. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the assets. Depreciation expense for the years ended September 30, 2006 and 2005 was \$1,408 and \$994, respectively.

BASIS OF PRESENTATION - Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, InTRAC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All net assets of InTRAC are unrestricted. Unrestricted net assets consist of resources available for program and administrative expenses of InTRAC which have not been restricted by an outside party.

ADVERTISING - InTRAC has a policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended September 30, 2006 and 2005 was \$103,251 and \$97,630, respectively.

REVENUE - InTRAC's main source of funding is a surcharge levied monthly by LEC's on all business and residential telephone access lines. The surcharge was \$0.06 per access line until April 1, 2005, when it decreased to \$0.03 per access line.

In addition, InTRAC has contracted with most of the wireless telephone companies to provide relay service. These contracts call for wireless customers to be assessed a surcharge equal to the surcharge assessed to LEC customers.

INCOME TAXES - InTRAC is exempt from taxation under Section 501(c)(4) of the Internal Revenue Code. Accordingly, no provision is made for federal income taxes on the Organization's exempt activities.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS CONTINUED
September 30, 2006 and 2005**

NOTE B - CONTRACTS AND COMMITMENTS

InTRAC contracts with an independent contractor (Sprint) to provide all of the relay service, based on a per-minute charge. A contract was signed in October 2002, which will provide relay services through October 31, 2007.

InTRAC also contracts with an independent contractor, Harris Communications, Inc., to purchase equipment sets for the use by hearing and speech impaired residents of Indiana. A contract was signed April 1, 2006 and extends until March 31, 2007.

InTRAC was committed to purchasing advertising from various media companies in the amount of \$76,800 and \$23,645 for 2006 and 2005, respectively.

NOTE C - INVESTMENTS

InTRAC's investments were comprised of the following at September 30, 2006:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Schwab Cash and Money Market Funds	\$ 819,214	\$ 819,214	\$ 819,214
Total Investments - money funds	819,214	819,214	819,214
Life insurance and annuities	1,400,000	1,543,292	1,543,292
U.S. Government obligations	1,400,485	1,394,312	1,394,312
Corporate obligations	1,783,816	1,768,997	1,768,997
CMOs and Asset-Backed Securities	539,521	530,553	530,553
Bond funds	159,305	159,687	159,687
Equity funds	649,547	703,335	703,335
Municipal bonds	<u>492,817</u>	<u>493,179</u>	<u>493,179</u>
Total Investments - other	<u>6,425,491</u>	<u>6,593,355</u>	<u>6,593,355</u>
Total	<u>\$7,244,705</u>	<u>\$7,412,569</u>	<u>\$7,412,569</u>

INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS CONTINUED
September 30, 2006 and 2005

NOTE C - CONTINUED

InTRAC's investments were comprised of the following at September 30, 2005:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Schwab Cash and Money Market Funds	\$ 785,330	\$ 785,330	\$ 785,330
Total Investments - money funds	785,330	785,330	785,330
Life insurance and annuities	1,400,000	1,453,115	1,453,115
U.S. Government obligations	1,614,396	1,593,750	1,593,750
Corporate obligations	2,164,687	2,146,725	2,146,725
CMOs and Asset-Backed Securities	616,617	603,346	603,346
Bond funds	95,244	89,367	89,367
Equity funds	511,614	557,808	557,808
Municipal bonds	<u>300,034</u>	<u>297,080</u>	<u>297,080</u>
Total Investments - other	<u>6,702,592</u>	<u>6,741,191</u>	<u>6,741,191</u>
Total	<u>\$7,487,922</u>	<u>\$7,526,521</u>	<u>\$7,526,521</u>

Investment income consisted of the following at September 30:

	<u>2006</u>	<u>2005</u>
Realized gain on investments	\$ 24,813	\$ 6,532
Unrealized gain (loss) on investments	41,579	(33,362)
Dividend and interest income	<u>308,566</u>	<u>244,790</u>
	<u>\$ 374,958</u>	<u>\$ 217,960</u>

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS CONTINUED
September 30, 2006 and 2005**

NOTE D - LEASES

InTRAC entered into a lease agreement on November 1, 2002 for administrative office space, expiring on October 31, 2007. Total office rent expense for the years ended September 30, 2006 and 2005 was \$31,343 and \$30,905, respectively. Future minimum lease rentals for years ending September 30 are as follows:

<u>Years Ending</u>	<u>Amount</u>
2007	\$ 31,788
2008	<u>2,654</u>
	<u>\$ 34,442</u>

InTRAC sublets a portion of its leased facility to Sprint Communications Company, L.P. on a month-to-month basis.

NOTE E - PENSION PLAN

InTRAC adopted a 403(b) retirement plan covering all eligible employees. The contribution made by InTRAC is in the amount of 10 percent of the employee's salary. Retirement plan expense was \$7,750 and \$5,074 for the years ended September 30, 2006 and 2005, respectively.

**Indiana Telephone Relay Access Corporation
For the Hearing and Speech Impaired**

(InTRAC)

Projected Statements of Cash Flows

**Indiana Telephone Relay Access Corporation
For the Hearing and Speech Impaired**

(InTRAC)

Indianapolis, Indiana

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To the Board of Directors
Indiana Telephone Relay Access Corporation for
the Hearing and Speech Impaired (InTRAC)

We have compiled the accompanying projected statements of cash flows for the years ending September 30, 2007, 2008 and 2009, in accordance with the guidelines established by the American Institute of Certified Public Accountants.

The accompanying projected cash flows statements presents, to the best of management's knowledge and belief, InTRAC's projected cash flows for the projection periods that would result if relay costs and surcharge revenues are as described in the list of assumptions. Financial position and results of operations are not intended to be projected. These projected cash flows statements were prepared for the InTRAC Board of Directors and are intended to be used by InTRAC to satisfy its obligation under Section 8-1-2.8-21(3) of the Indiana Code to file reasonable projections of anticipated funding requirements with the Indiana Utility Regulatory Commission and should not be used for any other purpose.

A compilation is limited to presenting projected information that is the representation of management and does not include evaluation of the support for the assumptions underlying such information. We have not examined the projected statements of cash flows and accordingly, do not express an opinion or any other form of assurance on the accompanying statements. Furthermore, there will usually be differences between projections and the actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update our report for events and circumstances occurring after the date of this report.

We are not independent with respect to Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired.

Kehlenbrink, Lawrence & Pauckner

April 25, 2007

InTRAC

Projected Statements of Cash Flows

	For the Years Ending September 30,		
	2007	2008	2009
Cash Provided by			
Local exchange carriers	\$ 1,091,520	\$ 1,064,160	\$ 1,037,520
Wireless service providers	1,350,720	1,485,720	1,634,400
Investment income	348,079	354,180	373,614
Rental income	11,784	11,784	11,784
Total	2,802,103	2,915,844	3,057,318
Cash Used by			
Relay service expense	2,369,468	2,171,090	2,017,803
Advertising costs	130,000	135,000	140,000
Other operating expenses	307,500	338,500	338,500
Program costs	136,018	143,609	154,441
Total	2,942,986	2,788,199	2,650,744
Net Change in Cash and Cash Equivalents	(140,883)	127,645	406,573
Beginning Cash and Cash Equivalents	7,423,042	7,282,159	7,409,804
Ending Cash and Cash Equivalents	\$ 7,282,159	\$ 7,409,804	\$ 7,816,378

See accompanying summary of significant projection assumptions and accounting policies and accountants' report.

InTRAC

Summary of Significant Projection Assumptions and Accounting Policies

General

This financial projection of cash flow presents, to the best of management's knowledge and belief, the expected results of cash flows for the projection period. Accordingly, the projection reflects management's judgement as of April 25, 2007, the date of this projection, of the expected conditions and its expected course of action. The presentation is designed to provide information for the InTRAC Board of Directors and the Indiana Utility Regulatory Commission and cannot be considered to be a presentation of expected future results. Accordingly, this projection may not be useful for other purposes. The assumptions disclosed herein are those that management believes are significant to the projection. There will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Significant Accounting Policies

The summary of significant accounting policies are as stated on pages 5 and 6 in the historical audited financial statement for the year ended September 30, 2006 set forth in this document.

Revenue

The monthly surcharge that funds InTRAC's operations is \$.03.

The surcharge will be assessed on an average of 3,032,000 wire lines in the projection year ending September 30, 2007. Based on the change in access lines between the periods of January 2007 and January 2006, it is assumed that these lines will decrease at an annual rate of 2.5% from September 30, 2006 forward.

The surcharge will be assessed on an average of 3,752,000 wireless customers in the projection year ending September 30, 2007. A comparison of wireless customers at January 2007 and January 2006 indicates annual growth rates of approximately 10.0%. Accordingly, we have assumed that wireless customers will grow at a rate of 10.0% in the years ending September 30, 2007, 2008, and 2009.

Revenue calculations for the projection year ending September 30, 2007 are as follows:

LEC Customers	3,032,000 X \$.03 X 12	= \$ 1,091,520
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Wireless Customers	3,752,000 X \$.03 X 12	= \$ 1,350,720
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Monthly rental income of \$982 for office space occupied by a Sprint employee will continue through the projection period.

InTRAC

Summary of Significant Projection Assumptions and Accounting Policies

Revenue (Continued)

Based on the annual rate of return on investments for the period ended September 30, 2006 as compared to an assumed risk free rate of return for invested funds, it is assumed that invested cash reserves will provide a 5.0% annual rate of return. Excess cash reserves will be invested in mutual funds investing in debt, equity and fixed income securities; in corporate and government bonds; and in annuities.

Relay Service Expense

The cost of relay service will be based on minutes of use at a cost per minute of \$.86 for the projection period based on the contract that expires in October 2009. Based on the yearly change in billable minutes through September of 2006, it is estimated that billable minutes will decrease annually at a rate of 15.0% throughout the projection period. Estimated billable minutes for the projection year ending September 30, 2007 will be 2,025,000.

The cost of providing service for captioned telephones will be based on minutes of use at a cost per minute of \$1.45 for the projection period based on the contract that expires in October 2009. Based on the projected number of captioned telephones in service over the next three years, it is estimated that billable minutes will increase at rates of 66.0%, 10.0%, and 10.0%. Estimated billable minutes for the projection year ending September 30, 2007 will be 431,095.

Administrative Expenses

The annual cost of the administration of InTRAC is estimated to be \$437,500, \$473,500, and \$478,500 for the years ending in 2007, 2008, and 2009, respectively. This includes \$130,000, \$135,000, and \$140,000 that will be budgeted for advertising.

Equipment Program Costs

InTRAC purchases equipment for those hearing and speech impaired individuals who are financially unable to purchase the equipment themselves. Several choices are now available that allow for different technological applications. Individual unit costs range from \$223 to \$541.

Other Considerations

Cash and cash equivalents are defined as deposits maintained in various bank accounts or any other temporary investment made with excess cash.

The assumptions disclosed are not necessarily all-inclusive.